

# **A New Rural Development Strategy for USAID/EI Salvador**

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by

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## CHAPTER ONE INTRODUCTION

In response to a request by USAID/El Salvador, Winrock International was asked to develop a new rural development strategy for 2003 to 2010. The scope of work allotted 10 pages for a parameters-setting paper. This review was prompted because of sluggish trends in the reduction of rural poverty that, among other negative consequences, have led to increased land degradation. In 1997, 62 percent of homes in rural areas (where 55 percent of the total population resides) were categorized as poor, while 39 percent of the urban households were in poverty (see Table 1). Despite impressive rates in gross domestic product, job and income growth have been insufficient to stimulate rural growth. This lack of rural growth is constraining national growth. Further, agriculture—at 28 percent of the national employment and the sector with the largest levels of poverty, has responded slowly in comparison with other sectors. Therefore, in light of the historic commitment of the Government of El Salvador Peace Accords to bring rural peace and because of the dismal economic performance of the rural sector, the Government of El Salvador and USAID determined that agriculture and the rural sector merit a special review.

**Table 1: Household Poverty Levels by Geographic Sector**

**Hogares en Pobreza por Area Geográfica**  
**Período: 1991/92 y 1997**

Año	Urbano			Rural		
	Total	Relativa	Absoluta	Total	Relativa	Absoluta
1991/92	53.7	30.5	23.2	66.1	32.5	33.6
1997	39.0	26.5	12.5	62.1	32.1	30.0

Fuente: Encuesta de Hogares de Propósitos Múltiples, 1991/92 y 1997.

To assist the government in meeting its commitment to reduce rural poverty, USAID reviewed its traditional rural development approach and concluded that a creative approach may be warranted. In the context of its “economic growth /agricultural development area,” this consultant was asked to (1) draft the major constraints contributing to rural poverty, (2) propose the corresponding Challenge Statement, and (3) outline commensurate strategic responses. This report also provides an introductory overview of the strategy setting to place El Salvador in the context of global economic change.

During eight days in El Salvador, the consultant reviewed major government planning documents and related USAID, World Bank, and Inter-American Development Bank strategic and sector planning documents and other materials (see Bibliography). The consultant talked to numerous professionals (see Annex A) and made field trips to Usulután and Chalatenango; attended the Strategic Objective 4 Team strategy workshop, and reviewed related USAID/El Salvador stakeholder strategy reports and “partner” statements about constraints. Agreement was reached on the strategy outline prior to his departure for CLAA’s

annual conference in Miami, “The Challenge for the Americas: Transitioning to the Global Economy.” With a prominent El Salvador delegation, the consultant observed first hand how Latin American and Caribbean countries are dealing with globalization and trade liberalization. The draft report benefited from a thoughtful review by the Strategic Objective 4 Team and subsequent guidance resulting from Mission programming dynamics.

## **CHAPTER TWO STRATEGY SETTING**

### **INTRODUCTION**

The development approaches employed worldwide are not generating the results originally anticipated. El Salvador is one of many countries in which poverty is not declining significantly. A recent assessment by the World Bank concludes, “At the turn of the century, the picture is one of stalled progress for the poor and rising numbers of poor in most developing regions....” (World Bank 2000). In this setting, rural areas have the most pervasive poverty, the largest segment of which is in agriculture (IFAD 2001). This chapter describes related dynamics and responses worldwide and in El Salvador.

### **NEW ECONOMIC PARADIGM AND RELATED DYNAMICS AFFECTING RURAL GROWTH**

In response to the economic structural collapse brought about by a 30-year era of entrenched import substitution, radically different Structural Adjustment lending programs (SALs) were introduced in the 1980s. From the new economic policy environment, market forces would orient national economies for the broader good, including more competition in open markets.

Although fundamental SAL-sparked reforms began to generate robust GDP growth, during this period of unprecedented and unpredictable change, government and donor support to the agricultural and related rural sectors declined. A recent ODI report notes the decline and specifically mentions USAID's reduction in assistance worldwide from \$1.2 billion in 1986 to \$240 million in 1997 (Mellor 1999). The original premises, which helped launch these radical structural shifts, did not always produce the results originally expected. The poorly prepared rural sector, steeped in a production-driven strategic framework from the import-substitution era and the insufficient adoption of economic liberalism, was slow to adjust. A better understanding of this period of dramatic economic adjustment and the need for different rural sector responses is essential for responding to USAID/El Salvador's charge. To this end, the consultant developed “Summary of Global Economic and Interrelated Rural Sector Structural Dynamics,” an overview of the essential themes (see Annex B).

Although global poverty levels are now projected to be lower than originally anticipated by the World Bank, it is crucial to note examples of where robust, agriculture-led performance under adequately supported macro change in turn sparked unusual GDP rates. An IFPRI study observed that in those countries where the highest degree of market-based reforms had occurred, agriculture, under a market-led environment (as opposed to production-led systems under import substitution) became the lead economic sector; total exports expanded; and, most important, economic growth rates notably improved (Bathrick 1998). In Latin America and the Caribbean, the report demonstrates that, over a 20-year period, appropriate policies led and supported economic growth in Chile and to important but lesser degrees in Costa Rica, Colombia, Bolivia, Argentina, and Uruguay. These generated far more favorable results than countries that opted for less rigorous



reform (see Table 2). As these examples illustrate, agro-climatic-ecological differences, land and labor production factors, and improved technology and information systems have combined to translate productive comparative advantages into greater market competitiveness that was fueled by mutually supportive country, donor, and private sector investments.

**Table 2: Economic Growth Dynamics for Selected Developing Countries**

**Table 2—Economic growth dynamics for selected developing countries**

Economic group	Average annual growth rate (percent)					
	GDP 1990-95	Exports of goods and services		Percent change	Agriculture	
		1980-90	1990-95		1980-85	1990-95
Low income						
Uganda	6.60	2.30	11.70	408.7	2.00	3.80
Nepal	5.10	1.10	25.80	2,245.5	2.60	1.50
Benin	4.10	-2.70	6.30	333.3	1.40	4.90
Bangladesh	4.10	7.70	14.20	84.4	1.00	1.10
Mauritania	4.00	3.40	-1.00	-129.4	1.70	4.90
Senegal	1.90	3.90	-0.90	-123.0	2.80	1.30
Average	4.30	2.60	9.35	470.0	1.90	2.90
Weighted average (from 49 countries, excluding China and India)	1.80	2.50	4.40	76.0	2.70	0.85
Middle and lower-middle income						
Thailand	8.40	14.00	14.20	1.4	2.00	3.10
Indonesia	7.60	2.90	10.80	272.4	2.60	2.90
Costa Rica	5.10	6.10	9.50	55.7	2.80	3.60
Colombia	4.60	7.50	7.20	-4.0	1.20	1.40
Tunisia	3.90	5.60	5.60	0.0	1.60	-2.10
Bolivia	3.80	3.50	6.70	91.4	-2.40	4.00
Ecuador	3.40	5.40	0.40	-500.0	4.40	2.50
Philippines	2.30	3.50	9.40	168.0	1.00	1.60
Average	4.88	6.10	8.00	31.0	1.40	2.40
Weighted average (from 40 countries)	-0.05	4.50*	7.60*	68.0	2.80*	-34.00*
Upper-middle income						
Chile	7.30	7.00	9.20	31.4	4.80	5.20
Argentina	5.70	3.70	6.90	86.5	2.00	3.90
Mauritius	4.90	10.40	4.80	-53.8	-5.60	-1.40
Uruguay	4.00	4.30	4.40	2.3	-2.00	4.50
Average	5.40	6.30	6.30	0.0	-2.00	3.10
Weighted average (from 16 countries)	2.60	5.90	7.40	2.5	2.40	1.80

Sources: World Bank 1987 and 1997c.

\*Weighted average not available.

\*

## El Salvador's Macroeconomic and Trade Responses

In 1998, following El Salvador's three-decade import-substitution legacy, ruinous rural civil war, and radical land distribution under "agrarian reform" (the transfer of all farms over 500 hectares to production cooperatives), the government launched a series of bold economic reforms. The objectives were to reduce the national budget, create business stability, enhance investment, create expanded opportunities for trade liberalization, and expand exports. Most subsidies were removed, tariffs reduced, and export taxes abolished, while budget deficits were reduced and currency adjusted, including recent "dollarization" exchange initiatives. Complementary trade agreements were/are being signed with Canada, Chile, Panama, Central American Common Market, Dominican Republic, and Mexico. El Salvador also participated in the negotiations for the Free Trade Area of the Americas (FTTA) and the World Trade Organization (WTO). Positive responses for these steps were observed from First Union Bank, Heritage Foundation, and the Latin American Bankers Federation.

## Related Economic and Agricultural Dynamics

As presented in Figure 1, beginning in 1996 the impressive 6 percent annual GDP growth rates that started in the early 1990s began to abate, although average yearly growth rates still averaged a noteworthy 4.6 percent over the 1990s. Agricultural GDP growth rates were highly volatile. Since the early 1990s, agricultural growth rates have improved a little, averaging 1.6 percent annually over the recent period compared with 1.2 percent for the decade. According to a worldwide study, in no country did poverty decline when agricultural growth was less than 1 percent per annum (World Bank 1996).

Figure 1: National and Agricultural GDP Trends  
**Crecimiento del PIB y PIBag**

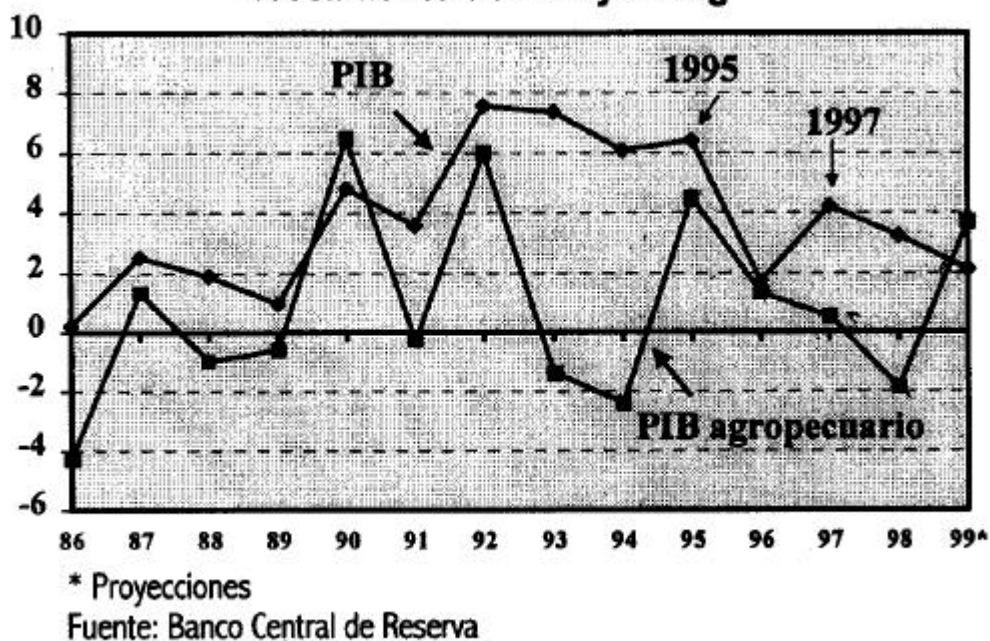


Figure 2, on the next page, comparative economic sector performance by subsector. During 1999 and 2000, agricultural performance shows less volatility. Closer scrutiny is required, however.

Macro reform provides an opportunity for factor prices to adjust toward new comparative advantages. In this context, subsectors or commodity grouping responses in terms of land-use changes are important yardsticks of sector responses. For El Salvador, this is an essential indicator, given the country's limited land base. In an earlier USAID-sponsored study of all Latin American and Caribbean countries adjusting to new economic reforms, those countries showing the greatest sector growth observed shifts out of cereals to more remunerative subsectors (meat, fruit, vegetables, and oilseeds) (Bathrick, Byrnes, and Stovall 1996). In comparison, as noted in Table 3, El Salvador shows no land use/subsector/commodity shifts. Stated differently, the bulk of arable land is still confined to three crops; coffee, basic grains, and sugar cane. Basic grains (corn, beans, and sorghum) used 55 percent of the total production area for 1997-1999, and corn plantings cover 90 percent of the total. Thus, in El Salvador macro-policy-created responses have not sparked similar shifts in enterprise and land diversification. Further, these commodities are known for robust price trends (see Figure 3).

**Table 3: Area, Production, and Yield of Principal Agricultural Crops**

**Superficie, producción y rendimiento de los principales cultivos agrícolas**

	Area cultivada (miles de Mz)			Producción (millones QQ)			Rendimiento (QQ/Mz)		
	1997	1998	1999	1997	1998	1999	1997	1998	1999
Café	234.6	231.7	234.2	2.9	2.6	3.2	12.1	11.2	14.0
Caña de azúcar	118.9	109.0	110.0	10.2	9.9	11.4	85.8	90.8	103.6
Algodón	-.-	-.-	1.8	-.-	-.-	-.-	-.-	-.-	-.-
Maíz	437.4	422.0	376.0	11.0	12.2	14.3	25.1	29.0	38.1
Frijol	118.5	111.5	106.3	1.5	1.0	1.4	12.4	9.1	13.5
Arroz	21.2	15.0	15.6	1.4	1.1	1.2	67.9	73.3	80.1
Maicillo	177.7	156.2	152.0	4.3	3.7	3.0	24.4	23.7	19.7
Ajonjolí	18.9	21.7	18.0	0.2	0.2	0.2	12.0	10.3	11.1
Coco	8.0	8.0	8.0	1.5	1.5	1.5	185.0	192.5	187.5
Naranja	7.0	8.0	7.3	2.7	2.2	2.3	385.7	275.0	315.1
Henequén	8.0	6.0	6.0	0.1	0.1	0.1	16.3	20.0	15.0
Marañón	7.6	5.0	5.0	0.1	0.1	0.1	11.1	12.0	12.0
Otros*	16.1	10.0	12.6	-.-	-.-	-.-	-.-	-.-	-.-
Total	1,173.9	1,104.1	1,045.8	-.-	-.-	-.-	-.-	-.-	-.-

\*Incluye musáceas, plátano, guineo, yuca, sandía, tomate y piña.

FUENTE: Revista trimestral del BCR (ene-mar/2000), Consejo Salvadoreño del Café, Asociación Azucarera y MAG-DGEA.



Figure 2: GDP Evolution by Economic Subsectors

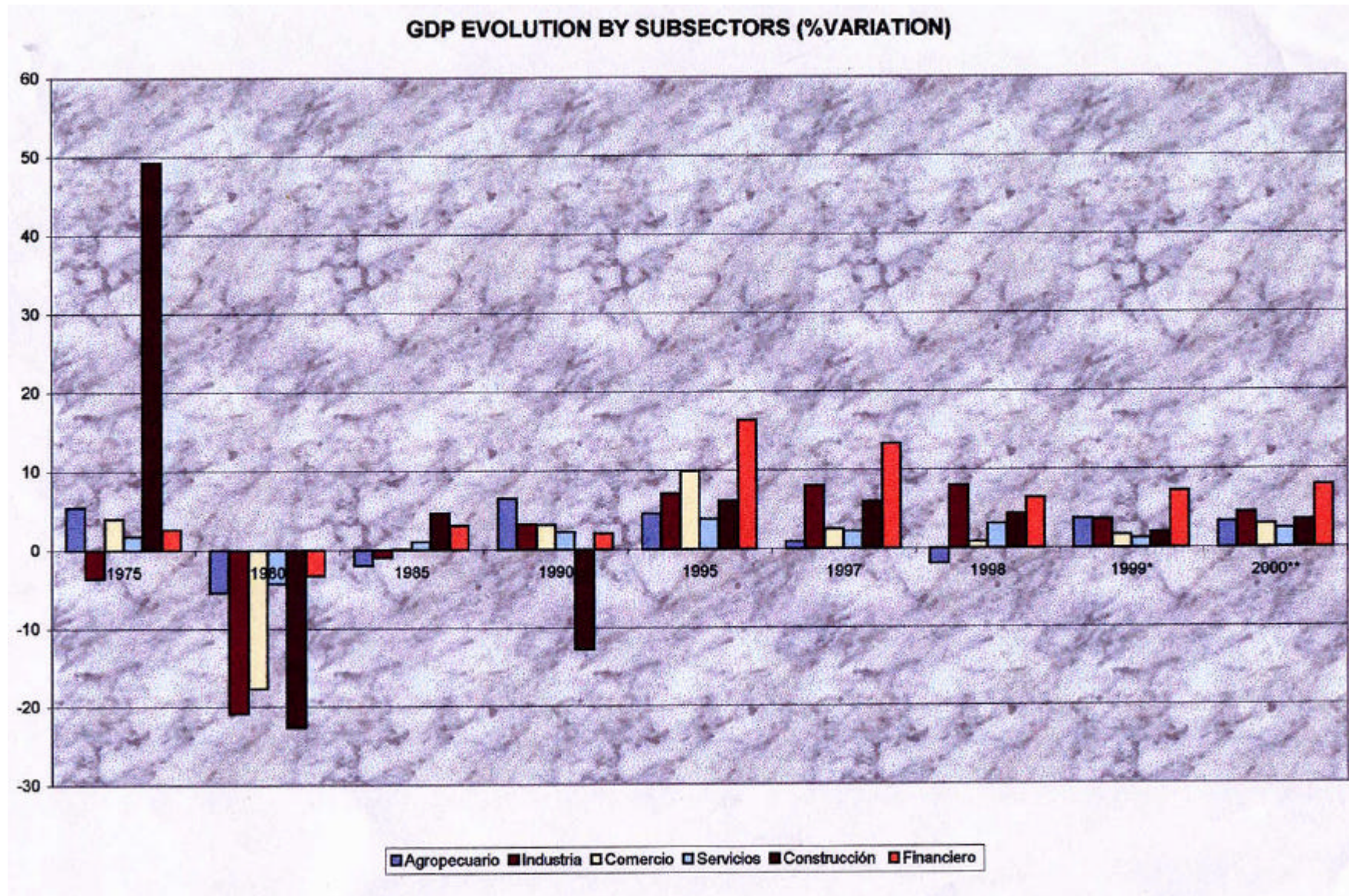


Figure 3: International Price Trends for Coffee and Sugar Cane



In an era of increased competitiveness and expanded trade looming under the FTTA, more optimal land dynamics become a matter of highest policy concern. Further alarming is that land under cultivation has actually declined over the three years by 90,000 hectares (Table 3).

## Poverty Overview

Although urban poverty decreased by 14 percent from 1991 to 1996, rural poverty barely budged for the same period (Table 1). Further, the gap between urban and rural poverty indicates an alarming difference of 23.1 percent improvement for the urban homes.

Further noteworthy is that 55 percent of El Salvador's population is rural and, of this, 62 percent are in the poverty category. The dramatically lower wage rates for agriculture compared with other sectors contributes to this phenomenon, as noted in Table 4

Table 4: Average Salaries by Economic Activity



### Salarios promedio por rama de actividad

	1997	1999	1999 real	Incremento (%)
Agricultura y Ganadería	747	801	778	4%
Industria manufacturera	1659	1747	1695	2%
Construcción	1764	1912	1855	5%
Comercio, hoteles y restaurantes	1770	2032	1972	11%
Total	1795	1969	1911	6%

## GOVERNMENT OF EL SALVADOR, MULTILATERAL DONORS, AND USAID RESPONSES TO CHANGE AND POVERTY

### Government of El Salvador's Plan

*The recently announced Bases Para el Plan de Nacion forms the government's conceptual and programmatic framework for advancing the country's daunting social, economic, and political agenda.* It is a consensus document. Its function is to mobilize diverse institutions and stimulate new legislation in pursuit of new national objectives. Although few specific programs are described, one focal point is the "Gordian knot of structural poverty." As paraphrased, national realities and global dynamics force El Salvador to prioritize and focus. Attention must be given to those sectors that promote investment and that generate employment, sectoral equilibrium, economic integration, and comparative advantage. Once these sectors are identified, the broadest policy and economic support will be mobilized (Government of El Salvador 1998). Under the umbrella of macroeconomic stability and business reform, the government's complementary, more action focused document is "La Nueva Alianza." This document advances the national consensus-building process. It provides a listing of specific laws and activities to improve productivity and performance in agricultural, microenterprise, and trade activities. See Annex C for a graphic depiction of "La Nueva Alianza."

### Ministry of Agriculture and Livestock's Plan

As outlined in the sector-specific framework of the Ministry of Agriculture and Livestock (MAG), the private sector becomes the principal agent for economic change and producers become *empresarios*. This document creates the complementary linkage to the macroeconomy and provides some discussion of how activities to make the sector dynamic

will be facilitated so that government profit, competitiveness, and sustainability objectives may be achieved. To facilitate this transformation, a series of “strategic services” are summarized, dealing with research and technology transfer, business development and promotion, physical infrastructure, vocational training, watershed and fisheries management, animal and plant health, rural development, and farming land security and titling. Given the increased complexities associated with farming and the economies of scale associated with market-driven agriculture, complementary support services under a new form of *asociatividad* are also to be addressed (Government of El Salvador 2000).

## **World Bank and Inter-American Development Bank**

The World Bank and Inter-American Development Bank (IDB) have conducted extensive analyses and proposed bold new approaches. Their documents helped guide this report and, based on the rationale and programmatic recommendations presented, provide for considerable complementarity. To address rural poverty, both strategies go beyond the farm gate. They deal with improving competitiveness and describe a broad range of essential support services, some of which are now being initiated. Recommendations by the World Bank deal with improvement of the market system, generation and diffusion of agricultural technology, reduction of land insecurity, enhancement of rural productivity, development of rural financial systems, improvement of rural roads, and reversal of land degradation (World Bank 1997). A 12-person team prepared the more-recent IDB document. The team focused on the “root of the rural lag.” In its strategy, agriculture is not the exclusive solution; rather, a broader strategic approach is needed along with complementary policy and investment interventions. IDB’s proposed activities focus on: (1) improving sector analysis and information; (2) developing public/private technology partnerships; (3) strengthening plant and animal health services and food safety network; (4) strengthening national resource protection; (5) building or rehabilitate essential physical infrastructure; (6) expanding non-agricultural activities in *maquiladoras*, cottage industry, handicrafts, and tourism; (7) expanding rural financial markets; (8) promoting environment and natural resource management; and (9) expanding rural services in the areas of telecommunications, energy, potable water, education, and health (IDB 1999).

## **United States Agency for International Development**

*During the 1980s and early 1990s, high levels of financial and technical resources supported a variety of rural development and related Peace Accord activities.* The success of these investments is appropriately measured by securing a sustainable peace and democratic transition. Although USAID’s agriculture and rural development portfolio worldwide has declined, USAID/El Salvador has responded through the use of resources from three Strategic Objectives (environment, democracy, and economic growth) so that a focused series of rural development issues are managed. This proposed strategy builds from such collaboration, particularly regarding the environmental/economic interfaces essential for sustainable growth. Annex D provides a listing of the current USAID rural development portfolio.



## CONCLUSION

In the context of sea-change macro reforms resulting in less-than-anticipated results, radically different interventions are required to confront El Salvador's development agenda. The Government of El Salvador, World Bank, and IDB have identified constraints and are proposing new, comprehensive rural development strategies and activities to benefit the rural population. These nascent initiatives provide an invaluable working construct from which more dynamic contributions could be mobilized. The direction of these multi-institutional reviews converge to support the complementary views expressed in USAID's recent economic policy analysis—that is, in the face of unanticipated rural poverty trends and USAID/El Salvador's current portfolio, there are required, yet-to-be-defined “second” generation responses requiring “proactive approaches including both policy and non-policy interventions” (Burke 2000). USAID has a special opportunity to make well-targeted contributions and coordinate efforts to more directly benefit the rural sector.





## **CHAPTER THREE**

### **CONSTRAINTS IMPEDING RURAL POVERTY REDUCTION**

#### **MAJOR CONSTRAINTS**

A series of inter-connected constraints impede poverty reduction. Although the increased levels of rural violence and kidnappings have to be included as an important rationale for bold responses, this report summarizes only the technical constraints. These serve as the backdrop for the Challenge Statement, the unifying theme for proposing the most appropriate responses.

#### **Massive Natural Resource Degradation**

Particularly in El Salvador, rural poverty foments environmental degradation. Poverty trends exacerbate an already-fragile land and scarce water base. More than 50 percent of all land under production is seriously affected by erosion, and during the 1980s, El Salvador experienced the greatest loss of forest cover in the world (USAID 1996). Unprotected soils, poor land use, and poor management practices led to water resources that are not being sufficiently retained, causing crop damages, lowering of water tables, silting of reservoirs, and related water-pollution problems. In this setting, critical watersheds provide a critical focal point for rural economic development (IDB 2000). During field trips, the consultant did observe some innovative watershed/crop and tree diversification models.

#### **Suboptimal Land Use and Unclear Land Ownership**

Significant advances in land redistribution have occurred. In the face of diversification opportunities and the need for rural capitalization, legal impediments detract from such shifts, and thus constrain responses to market opportunities. Most of the best land is not managed optimally, and enterprise diversification needs to be expanded. A significant number of producers still lack legal titles. These factors create uncertainties that seriously constrain producer options, access to complementary financial markets, and asset accumulation from “sweat equity” land conservation and improvement investments. For many of the more than 80 percent of producers who work farms of less than 3 hectares, more-optimal land use is constrained by the absence of appropriate documentation (World Bank 1997). Various project responses in this admittedly sensitive area are ongoing (USAID and World Bank have projects in this area), but accelerated efforts and policy focus from the highest levels are needed to ensure that the appropriate opportunities are maximized.

## Perception of a Declining Agricultural Sector

Over the last 10 years, agriculture's contribution to GDP has declined from 17 to 13 percent. When GDP growth is sparked by sector shifts from agriculture to other more-remunerative economic sectors, the label of agriculture as a declining sector in both El Salvador and worldwide often prevails. Some economists conclude that the historic economic structural transformation out of agriculture is well underway. However, in the current situation in El Salvador where 28 percent of the labor force is directly engaged in production agriculture and alternative employment sources are not being created fast enough, the adherence to this view is risky. Furthermore, in this current transition period when rural job and income expansion becomes so vital, there is evidence worldwide that, if appropriately supported, the agricultural sector can become the generator of complementary value-added growth via agro-industrial and agribusiness contributions to GDP (see Annex B). Table 5 provides an important illustration of agriculture's impressive contributions to manufacturing, services, and agribusiness components forming national GDP, surpassing several-fold the agriculture GDP. These strategic themes need to be spread by policy makers to begin to place agriculture as a more relevant and essential sector at this historic juncture.

**Table 5: Share of Agribusiness in GDP in Selected Countries**

Share of agribusiness in GDP, selected countries				
Country	Share of GDP			Share of manufacturing and services in agribusiness
	Agriculture	Agriculture-related manufacturing and services	All agribusiness	
(percent)				
Philippines	21	50	71	70
India	27	41	68	60
Thailand	11	43	54	79
Indonesia	20	33	53	63
Malaysia	13	36	49	73
South Korea	8	36	44	82
Chile	9	34	43	79
Argentina	11	29	39	73
Brazil	8	30	38	79
Mexico	9	27	37	75
United States	1	13	14	91

Source: Pryor and Holt (forthcoming in 1998).

Note: All agribusiness is defined as agriculture plus the shares of manufacturing and services that are related to agriculture.

## **Limited Availability of “New Era” Rural Development Support Services**

All government and donor documents recommend new basic tools to help ensure that rural opportunities are realized and that challenges are not ignored. These documents agree on constraints and recommendations, although there is great diversity with regard to focus and tactical approach. Part of these variations may be attributed to the import-substitution legacy associated with rural development. Therefore, to provide a more common reference frame for making some initial comparisons of Government of El Salvador/MAG, World Bank, and IDB approaches and responses, the consultant developed “Essential Elements for Enhancing Competitiveness and Summarized Responses by Key Actors” (see Annex E). To prepare this reference document (which should not be construed as a “gaps” analysis), the consultant used the IFPRI report (Bathrick 1998) referenced earlier because it describes key elements experts felt should begin to be in place as worldwide, market-driven agricultural systems are developed, responsive to the new economic framework. Annex E summarizes these essential components: (1) capacity to strategically advance and promote national comparative advantage and competitiveness, (2) establishment of appropriate policy framework and mutually supportive links with other sectors to ensure maximum impacts, (3) development of the necessary management and marketing skills and support services, (4) development of dynamic market systems and complementary infrastructure systems, (5) establishment of comprehensive rural financial markets, (6) creation of market-driven technologies for achieving growth, (7) utilization of natural resource management practices to enhance sustainable use, and (8) development of alternative strategies to expand rural well-being.

There is agreement about the need for new skills, but the tone and emphasis vary. Some work has already begun on many of the topics, and, for some of these, USAID is providing potential models for possible broader replication. Although more analysis is required to link constraints and proposed programmatic interventions in the context of the new economic environment, the critical area receiving hardly any attention was: “Create driving thrust to strategically advance national comparative advantages and competitiveness” (Number 1 in Annex E).

## **Outdated Government Approaches**

A more-supportive institutional structure complementary to the government’s macro framework and new services outlined is essential. Recent global poverty reviews by the World Bank recommend that new service and institutional “underpinnings” be introduced (World Bank 2000). Current economic realities are constrained by the traditional public sector-led approaches. Earlier, the Plan Nacional and the MAG’s Plan articulated new, multi-institutional modus operandi that bring together the private sector, nongovernmental organizations, think tanks, producers, and other branches of the government to help create the institutional framework for facilitating major societal change. The stated view is that new ways must be identified to harness and put in place the cost-effective services needed to create a more entrepreneur-oriented society responsive to the new economic era.

Constraining this initiative is the legacy that “the public sector budget appears biased against the rural areas in the allocation of funds and programs” (USAID 1996). Further, old, outmoded mindsets and behavioral approaches prevail in some circles while the new, multi-institutional support base is only slowly coming together. The government’s Plan provides an important conceptual framework for advancing the process. However, given the time allotted and the task allocated, more-specific roles and responsibilities are needed regarding the new public and private activities for Plan implementation. A more precise focus to support “competitiveness” objectives also is needed. These serve as the basis for collaboratively conceiving and coordinating support activities. Also, specific action activities will be required with adequate resources to support implementation of these new systems during initial phase.

Producers perceive real gains and are sensitive to inherent risks, but most lack the basic skills and organizational base required, and, even with the skills, some will not make it in agriculture. Essential private sector investors must be convinced of the opportunities and of the commitment for true structural change in a way that generates broad-based gains. Some NGOs are serving in important facilitating roles, and examples of current successes need to be studied and harnessed to help producers achieve the new national objectives. Unlike most countries, El Salvador is fortunate to have two key donors—the World Bank and IDB—conclude that a re-engagement in the rural areas is essential, and their approaches are similar. Although the desire, framework, and initial steps to move forward based on a shared vision appear possible, this vital process requires greater focus, acceleration, and expansion if poverty reduction and related environmental and social objectives are to be realized during this critical transition period.

### **Lack of a Framework for Expanding Off-Farm Employment**

Two critical areas require priority attention. First, there must be an articulation of the new rural dynamics associated with basic grains producers and commodity competition, market-responsive agriculture, rural enterprise development, and possible safety-net strategy. Based on rural household surveys and data analysis, FUSADES concluded that, although rural poverty can be reduced via a more dynamic agriculture, there also is the need to expand off-farm employment opportunities (FUSADES 2000). Revitalizing agriculture so it can respond to markets and competing foreign producers becomes the essential activity. In the complex new world of agricultural globalization, large numbers of already-disadvantaged basic grains producers are vulnerable because of lower-cost imports. They understand their vulnerability and are looking for guidance on alternative strategies. Their production areas will have to be made more productive in the short term to address at least family subsistence needs, while productive assets can be mobilized for other, more remunerative, farm or off-farm activities. Improved farm incomes and jobs created from more remunerative tradable commodities, to include the large value-added activities to their products, become essential thrusts (Mellor 1999). At the same time, rural investment strategies to enhance cottage industries or *maquilas* become critical. Also, some minimal safety net programs need consideration. Although some programmatic elements deal with these complex issues, given the seriousness of the adjustment process underway and in the context of the new trade agreements and the

formalization of the FTAA by 2005, a national strategic framework becomes an important political and developmental mobilizing force.

### **Absence of linkages between Watershed Improvement and the Marketplace**

An articulation of the development linkages between watershed improvement and appropriate marketplace interaction is another critical area requiring priority attention. In light of the ongoing massive resource degradation, watershed management and mutually supportive natural resource management practices become essential activities. These activities, however, are usually not linked directly to income generation and market-support and supporting infrastructure needs. This kind of mutually supportive natural resource management strategy should help orient government, donor, and private sector activities and guide local leaders and project personnel.

### **Confusion between the Macro Framework and the Agricultural Sector**

The highly regarded economic reforms related to currency devaluation, budget reductions, trade and market liberalization, and privatization activities have resulted in economic stabilization and, initially, robust growth. Now an innovative “dollarization” exchange initiative is being introduced. However, as Michael Porter says, “Macroeconomic reform is necessary but not sufficient.” Although such reforms will reduce interest rates, increase credit mobilization, and facilitate long-term business plan confidence, unless a parallel effort is undertaken to improve efficiencies, price-competitiveness issues will constrain exports. Also, on the trade-negotiation front, there are concerns that cheaper commodity imports will require many producers to switch to yet-to-be established alternative crops, given the absence of other options. Therefore, respectful of the policy commitment but also the long-term time horizons required for profitable agriculture, greater attention must be directed to ensure greater macro and sector compatibility and stability.

### **“Non-Competitiveness” View of Rural Sector**

Government documents highlight some important positive steps being taken to make the rural sector more competitive. This builds on a highly complementary macroeconomic policy environment. Nonetheless, counterproductive perceptions abound regarding limited opportunities and declining capacities, at least during this critical short to medium term. Although many critical impediments prevail, some positive observations were gleaned by the consultant. For example, comparative national-level yields of the basic common Central American crops indicate that El Salvador is competitive in many crops (see Table 6). In the increasingly competitive international coffee market, while prices have declined, prices for organic coffee are more attractive and El Salvador producers have responded (see Figure 4). Some small-scale farmers are able to be competitive, particularly if minimal support is provided initially. This conclusion is also supported by the consultant's review of reports from two USAID projects from the late 1980s to the mid-1990s to promote support

mechanisms under several institutional modalities during the first phase of market-driven development opportunities (Chemonics 2000 and AGRIDEC 1999). Also, in a conversation at the CLAA, the President of the largest Guatemalan and Honduran supermarket chain expressed interest in El Salvador supplying lower-elevation fruits and vegetables to this chain.

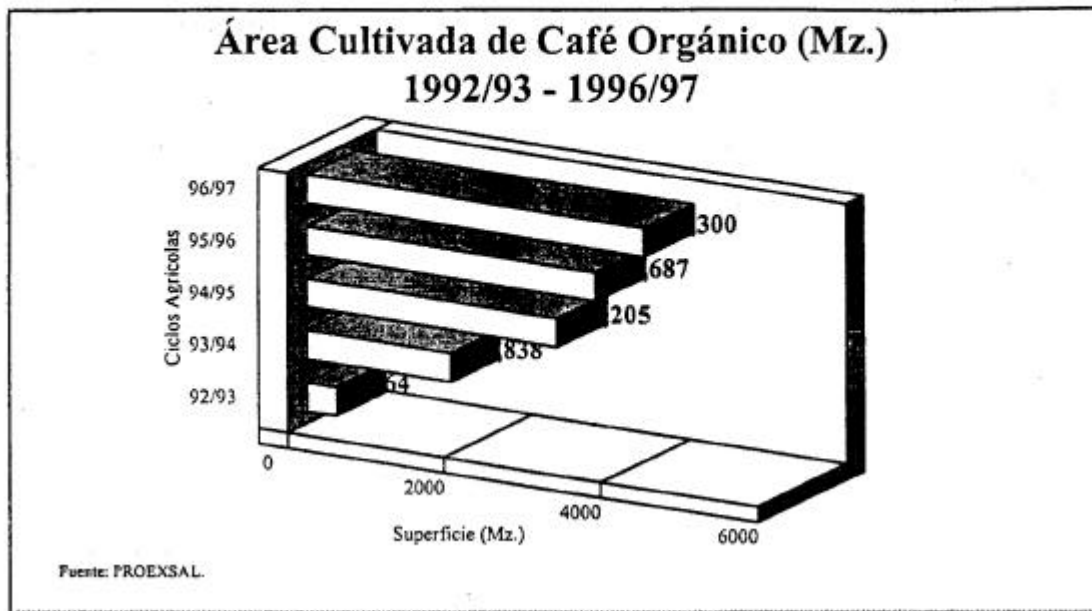
**Table 6: Surface Production and Yield of Basic Grains in Central America 1995-96**

Superficie. Producción Y Rendimientos de Granos Básicos en Centro América.			
Período Agrícola 1995/96			
Pais	Area (mz)	Produccion (qq)	Rendimiento (qq/mz)
<b>Maíz</b>			
Guatemala	781,700	23,077,900	29.5
El Salvador	420,850	14,071,300	33.4
Honduras	586,140	14,785,350	25.2
Nicaragua	320,000	6,400,000	20.0
Costa Rica	18,406	526,671	28.6
Panamá	18,137	967,202	53.3
<b>Región</b>	<b>2,145,233</b>	<b>59,828,423</b>	<b>27.9</b>
<b>Frijol</b>			
Guatemala	173,400	1,754,200	10.1
El Salvador	86,600	1,111,700	12.8
Honduras	97,630	840,740	8.6
Nicaragua	150,000	1,500,000	10.0
Costa Rica	47,568	491,214	10.3
Panamá	n.d.	n.d.	n.d.
<b>Región</b>	<b>555,198</b>	<b>5,697,854</b>	<b>10.3</b>
<b>Arroz</b>			
Guatemala	15,700	1,022,769	65.1
El Salvador	13,700	1,111,000	81.1
Honduras	18,930	1,169,554	61.8
Nicaragua	78,400	3,339,692	42.6
Costa Rica	71,447	4,167,627	58.3
Panamá	100,570	6,619,365	65.8
<b>Región</b>	<b>298,747</b>	<b>17,430,007</b>	<b>58.3</b>
<b>Sorgo</b>			
Guatemala	55,000	970,000	17.6
El Salvador	191,800	4,369,400	22.8
Honduras	107,230	1,394,680	13.0
Nicaragua	38,900	1,063,200	27.3
Costa Rica	3,277	n.d.	0.0
Panamá	9,957	496,671	49.9
<b>Región</b>	<b>406,164</b>	<b>8,293,951</b>	<b>20.4</b>
<b>TOTAL</b>	<b>3,405,342</b>	<b>91,250,235</b>	<b>26.8</b>

n.d. : no disponible

Fuente: en base a información remitida por el Consejo Regional de Cooperación Agrícola de Centroamérica, México y República Dominicana (CORCEA).

Figure 4: Areas Under Cultivation for Organic Coffee







## **CHAPTER FOUR**

### **THE CHALLENGE STATEMENT**

In the context of substantive economic and trade reforms globally and in El Salvador in particular, as outlined in Chapter Two, the significant constraints highlighted in this report, and governments worldwide realizing that their rural sectors are important to their national well-being, the Mission's request for a "fresh and innovative," bold "out of the box" perspective on agriculture is most appropriate. A new rural revitalization process is critical to ensuring that underutilized resources begin to achieve their potential and generate broad national well-being. The following statement provides the suggested conceptual framework.

A structural re-engineering exercise is proposed to formulate a new strategic framework for mobilizing mutual reinforcing policies and institutional mechanisms to enhance rural competitiveness. A long-term national commitment must be structured in a way that maximizes employment and income generation through viable, market-based agricultural and rural enterprises. This comprehensive process must be undertaken in a way that respects economic and social realities while enhancing the natural resource base.



## **CHAPTER FIVE**

### **PROPOSED STRATEGIC RESPONSES FOR USAID/EL SALVADOR**

#### **INTRODUCTION**

Import-substitution legacies and experiences from Structural Adjustment lending programs, compounded by a period of major rural strife, have brought El Salvador to this historic moment. A comprehensive global and national-level analysis concludes that broad-based economic growth can revitalize the rural sector in El Salvador. A bold activity to stimulate underexploited market forces is urgently needed. Although many of the right policy reforms have been announced, based on international lessons learned in response to similar constraints, a more visible, energized, and focused effort must now occur. Currently, USAID has some small activities from which valuable lessons can be drawn; major donors have identified a common, mutually supportive agenda; and, most important, initial government policy and strategic responses are underway. These efforts must be cast in a new unifying context to ensure that rural competitiveness is enhanced. USAID/El Salvador, combined with support from USAID/Washington, is in a position to provide programmatic leadership and project support. Annex F, A Schematic Contrasting of the Rural Development Boxes, was developed to show why a dramatically different approach is required. The schematic compare the “old rural development box” from the 1970s and the 1980s with the “new rural competitiveness enhancement box” of the 2000s, by major topic area.

Increasing rural sector competitiveness will not just happen on its own. Internationally, the learning curve has been steep, but, where done correctly, results can be profitable (USAID/Guatemala Cable 2000). Such rural sector re-engineering will require a variety of innovative approaches, assuming of course that the prevailing government political will continues and intensifies.

A dramatically different approach by USAID is merited. Initially, high-level targeted assistance—both technical assistance and minimal support activities described below—is needed to help guide the process in order to ensure the quicker mobilization of the complementary donor support already outlined. High-priority activities in three component are proposed: (1) activities to facilitate “re-engineering,” including mobilizing and strengthening political commitments, defining programs, and mobilizing institutional underpinnings to include non-project-funded technical assistance, workshops, and visitations during the first two-year period; (2) supplemental support topics and activities, from non-project sources launched this year; and (3) high-priority project activities.

At first glance, the innovative, multifaceted approach laid out may not mesh with USAID/El Salvador’s rapidly evolving program and uncertainties about the priorities of the new U.S. Administration toward El Salvador. These initial activities could be supported from a combination of non-project and project funds and other donor resources. Further, the non-project-specific activities could begin before the new project investments of the 2003 period. If this track is taken, the progress toward advancing the essential underpinnings could be

assessed and then project-specific activities could be designed. Thus, the same base would be used by the government, donors, and the private sector. Unless appropriate political, programmatic/tactical, and institutional responses are being put in place, support for, for example, traditional project X may well detract from the creation of the broader framework with commensurate components and thus impede the required reengineering. This approach could also help facilitate USAID/El Salvador's critical decision-making process regarding Strategic Objective and Intermediate Results determinations and the related Mission resource base. Certainly, this whole process could be facilitated through a broader vetting of the strategy document. The three component areas are discussed below.

## **ACTIVITIES TO FACILITATE RURAL REENGINEERING**

### **Strengthening Long-Term Political Commitments**

Political commitments from the highest levels will be an essential element for program success. The creation of a rural sector with the skills for growing the rural economy will require a long-term, bi-partisan commitment—that is, at least 10 years—without being subject to constant radical “reforms” by the changing political base. This is an area where, until recently, little interest has been shown and where serious constraints prevail. Producers and investors have to be convinced and mobilized, based on their view that this is a serious government commitment to help reduce risks while fomenting mutual gains. Complementary fiscal and trade policy issues and negotiations must be considered more strategically in light of this activity. Critical points, requiring government guidance, relate to the expression of new financial commitments to the rural sector; strategies to foster investments in more remunerative land uses; minimal support structures, some of which are laid out in the MAG Plan, to improve agricultural competitiveness and the related “efficiency enhancing” required in light of “dollarization”; and government interest and commitment to mobilize broad donor support around the competitiveness-enhancing mantra.

#### *Possible Activities for USAID*

- # Prepare educational briefings and seminars for senior government officials on the beneficial link between improved rural well-being and national well-being.
- # Hold an “Enhancing Rural Competitiveness” workshop and include political and business leaders.
- # Conduct a work session to address government political commitment issues and assess responses.
- # Conduct an external review of World Bank, IDB, and USAID ongoing projects in the areas identified in Annex E to ascertain possible overlap, duplication, focus, and needs.

- # Develop a mutually agreed upon monitoring and tracking system of the program's policy agenda.

### **Formulating a Unifying Program Framework**

In light of time constraints and the significant work already done by the donors and the MAG, the MAG's Plan provides the most constructive program outline for beginning to define more specifically discrete component parts and project activities to enhance rural competitiveness. In the context of this report and related donor documents, the Plan, adjusted as needed, can serve also as the vehicle for mobilizing the broader, stakeholder constituency base. Some work needs to be done to ensure maximum program compatibility, complementarity, and synergism. Participatory workshops will help to mobilize the stakeholders to obtain the commitments essential for initial launching and overall success. As this process is advanced, World Bank and IDB documents and experts should enrich the process. A unifying theme to mobilize national credibility is vital. Around that theme, the basic framework and action plan should be developed. Once agreement is reached on overall vision statement, one possible framework for constructing the new component parts is provided in Annex E. The breadth of potential program scope requires broad support of the social, infrastructure, environmental, and economic ministries as well as of the key stakeholders, many of whom interact with the MAG. The seriousness of this effort will be visible. Projects can be defined from a strategic perspective, time frames established, roles and responsibilities designated, and donor pledges facilitated. Clearly, the nature of the challenge requires that the new framework be developed carefully and that a broad constituency be mobilized quickly.

#### *Possible Actions for USAID*

- # Help organize workshops and develop necessary background papers.
- # Facilitate donor coordination in El Salvador and Washington so the most effective, results-orientated contributions can be provided.
- # Conduct follow-up and systematic program review meetings with Washington-based donor staff and El Salvadoran embassy.

### **Mobilizing New Institutional Roles and Responsibilities**

Under the Plan Nacional and the MAG Plan, new public sector roles and responsibilities are being developed. In the new economic era where much is uncharted and uncertainties are constant, the articulation of this new process and the assimilation of the behavioral patterns are of great importance. Some say that new "mind-sets" must be created along with more dynamic response capacities so the private sector feels confident, including the new farmer "entrepreneurs." New roles and relationships based on institutional comparative advantages

need to be defined. The government must place increased emphasis on macro and sector policy complementarities, and select appropriate policies and legislation to enhance labor and land productivity. Trade strategies, particularly those related to El Salvador for the WTO and the FTTA, must be articulated in light of national capacities to include transition strategies. Further, rural investment support, in areas such as roads, market/processing infrastructure, social services, and investment promotion incentives, becomes critical. This aggressive approach by the government and donors in close collaboration with the private sector will decrease as private sector producers and agribusiness interests gain confidence in the new program. In the initial phase, selected NGOs may serve as interim service providers. Such work must be done in a way that breaks from the tradition of paternalistic, dependency-oriented approaches while focusing on the delivery of the best technical services.

### *Possible Implications for USAID*

- # Conduct a detailed review of the focus, commitment, and magnitude of the MAG, IDB, and World Bank proposed activities and assess complementarity (in effect, the “gaps analysis”).
- # Provide a study tour to countries such as Chile where relevant public and private sector themes have been developed.
- # Conduct an assessment of NGO capacities as they relate to enhancing rural competitiveness.
- # In light of NGO capacities, develop a system for quality-service certification.
- # Provide specific institutional re-engineering technical assistance to support the evolving new program structure.

## **ADDITIONAL ACTIVITIES AND PRIORITY THEMES FOR ENHANCING COMPETITIVENESS**

### **Land**

The World Bank and IDB have identified a broad range of constraints and issues regarding land use, access, and ownership. Some progress has been reported, although structural impediments to sector investments remain. Increasingly, such situations are being isolated as a major cause impeding capital accumulation. One interesting approach to help stimulate a discussion would be through a consultancy with the renowned Peruvian consultant Hernando de Soto, who has written extensively on this topic and should provide provocative insights.

## **Labor**

Lack of education in the rural areas has been identified as a major impediment constraining labor productivity and alternative employment opportunities. However, there are important supplemental training needs in vocational agriculture, agribusiness, farm management, and increasingly demanding production and post-harvest technologies. Initial needs at Escuela Nacional de Agricultura (ENA) should be reviewed along with recommendations from Texas A&M University and USAID/LAC's Kerry Byrnes under an earlier consultancy. Although the focus here is on the operational level, the policy and strategic issues El Salvador will face require a new generation of holders of U.S. Ph.D. and Master's degrees in governmental, business, and university centers.

## **Capital**

Within certain circles of USAID, there is the view that agricultural credit, in the broad scheme of rural financial markets, is not a constraint. Others see this issue differently. From the producer's perspective, medium-term investment and market credit are important components. Between 1990 and 1998, only 10 percent of the credit available went to agriculture, most for coffee (CIDAR 1999). The MAG is proposing new measures. Clearly, the new dollarization process should generate greater capital sources, which may support the new rural investment environment being promoted. Also, the annual \$1.3 billion in remittances arriving from the United States present special opportunities for creative rural savings mobilization programs that could be managed to address this investment activity. More analysis is needed, and private sector banking experts should be consulted.

## **Pro-Rural Public Education Information Campaign**

A less-than-progressive image and considerable erroneous information exists with regard to opportunities and needs. This creates a structural image problem, impeding implementation of the Challenge Statement. Information about a major program must be disseminated widely, and achievements must be broadly shared. This development goal for El Salvador and its well-being must be understood by the major stakeholders. An agriculturally orientated, social marketing/communications expert should be contracted to review needs and provide recommendations.

## **Supplemental Studies**

The themes covered regarding the needs for complementary rural development and watershed/market town strategies listed in "Critical tactical areas requiring priority attention" should be developed. Also, given the importance of market system reform and the divergence of opinions, a marketing study could help guide the new program.



## POSSIBLE USAID PROJECT INTERVENTIONS

A brief description of high-priority possible project activities follows, in addition to the gaps analysis activity suggested earlier. Some of these activities may be undertaken by USAID or be a priority for other donors. Some activities could be developed early based on this gaps analysis, pending USAID prioritization as this new initiative is vetted in San Salvador and USAID/Washington in light of competing priorities and funding limitations.

### Competitiveness Assistance

Earlier donor approaches toward agriculture focused on growing it and then, if lucky, selling it. Today's world is increasingly based on making quality products at competitive prices over time. And in this context, an understanding of end-user market demand is essential. These issues need to be studied in light of the agro-ecological setting and final product as they relate to market forces, production and transportation prices, and comparative costs. From the more-promising opportunities, priorities and opportunities can be articulated. From this determination, complementary policies, market strategies, and technology diffusion systems can be suggested, including the necessary training and technology packages. The focus here is to target ultimate product end-users and, from that experience, work the backward linkages to identify the most-promising commodities and the production and post-harvest systems to make the greatest income and employment impacts.

### Business Support Services

Individual small producers will seldom make projected gains because they lack the essential support services that, earlier, may have been facilitated by the government. Services to facilitate bulk purchases of inputs and of sales are needed. Broader services related to farm budget systems, business plan development, and specialized technical skills are required. El Salvador and Peru have had some relevant experiences, including the preparation of incubator services and second-tier regional support centers. These and other relevant experiences need to be assessed in the context of the MAG's *asociatividad*.

### Commodity Support—Three Priority Areas

A broad range of approaches are urgently needed in product areas where El Salvador is competitive or where alternative responses are required. A variety of potential product lines are needed to generate results and to dramatize the importance and viability of the program.

**1. Specialty Coffee.** El Salvador has endured dramatic price declines over the recent years and its export account has suffered. Less-expensive producers are advancing rapidly. Viet Nam, as a result of massive expansion in planting—to 420,000 hectares—has increased its coffee exports by 70 percent in an already-saturated global market. Commodity price trends

will likely continue downward. However, specialty coffee—beyond the impressive responses Salvadoran producers have already made in organic coffee—is a big market with robust opportunities. As a result of the situation in Colombia, there are increased production opportunities for those who can respond quickly. The Specialty Coffee Association of America (SCAA) has signed a memorandum of understanding with USAID because the association realizes that, given limitations of quality product for an industry growing at rates of 15 to 20 percent annually, maintaining its quality product lifeline will be stressful. SCAA is also interested in incentive systems based on quality production. Preliminary conversations with SCAA officials confirm interesting opportunities for El Salvador.

**2. Fruits and Vegetables.** There has been notable expansion in a broad range of product lines. These serve as testimony to what can be done. All profess fruits and vegetables are high-risk product lines. Competitiveness issues require vigilance as diverse competitors pursue expanded market shares. The tactical approach on niche markets, or strategic efforts to systematically expand and promote markets around vertically integrated product systems, also needs to be reviewed. There are numerous options. Through concerted efforts, Peru developed global leadership in asparagus in a few years, and Chile has done the same with the kiwi. These approaches offer valuable lessons. In this important area, the large Salvadoran population in some U.S. cities should be targeted through market-promotion activities.

**3. Basic Grains.** For this large commodity grouping, particularly daunting challenges prevail. Competitiveness issues are real. Also, alternative employment sources are needed for those displaced until a broader range of employment activities and a more-robust economy are in place. In the meantime, subsistence needs must be confronted while many of these producers, alleged to be “non-competitive,” pursue other land use or mixed farm/non-farm activities. A major priority therefore relates to reducing per-unit costs while expanding production in corn, beans, and sorghum on reduced areas and thus providing additional land for other pursuits. Although some work is being done in this area by CENTA, given the topic’s strategic importance and as new trade liberalization initiatives are being negotiated, a senior team from CIAT, CYMMYT, and the INTSORMIL CRSP should be contracted to assess the status of current technology and outreach capacities so the broadest use of improved technologies is initiated. Based on this review, appropriate project activity could be initiated.



## **CHAPTER SIX CONCLUSION**

The magnitude of structural constraints and the trade agenda of El Salvador to compete rigorously in the world market require that the strategic framework and programmatic interventions be sharpened and mobilized. El Salvador has chosen to respond boldly to significant challenges during a critical period, and long-term commitments to help break from the past are urgently required. The proposed New Rural Development Strategy will, it is hoped, facilitate discussion from which substantive economic, environmental, and political changes can be mobilized in the most productive way. The learning curve is now steeper because of the Free Trade Area of Americas, which starts in at the latest in 2005. Rumors are this may now be initiated in 2003. WTO agricultural negotiations start again in 2001. The Government of El Salvador has launched highly visible new reforms that will be carefully monitored for measurable results during the Administration's remaining four years in office. This new, high-stakes era will require focused, high quality, and multi-faceted rural sector re-engineering. The U.S. government, with multilateral donors, can help facilitate significant change with targeted and timely assistance. This report has provided the outline and elements to help form the essential policy, tactical, and institutional arrangements.



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**ANNEX A**  
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**ANNEX B**

**SUMMARY OF GLOBAL ECONOMIC AND INTERRELATED  
RURAL PROGRAM SECTOR STRUCTURAL DYNAMICS**



## **SUMMARY OF GLOBAL ECONOMIC AND INTERRELATED RURAL PROGRAM SECTOR STRUCTURAL DYNAMICS**

### **CURRENT GLOBAL SETTING**

Recently “globalization<sup>1</sup>” is observed as falling short of its potential as a “tide to lift all boats” (The Economist 9/00 and Business Week 11/00). In formulating responses to the expanding global marketplace, developing countries have largely bypassed small farmers and other rural residents who constitute the bulk of the world's poorest strata, an estimated two billion persons. In poorer countries, farmers comprise between 25 to 85 percent of the employed workforce. Compared with workers in other sectors, however, they receive little guidance and lack the capacity to respond to increased competition and new market opportunities. Further exacerbating the situation, many countries have not been successful in creating enough jobs in other economic sectors to absorb growing numbers of rural residents in need of jobs; nor could these sectors easily absorb the potentially greater numbers of farmers displaced through importation of cheaper cereal crops, the principal crop of most traditional farm enterprises (Andreata 1998, Taylor and Yunez-Naude 1999, Economist 1999, and Washington Post 9/2000). Agriculture – the economic sector most essential in enabling poorer countries to transform their economies and to benefit from globalization – is precisely the sector left behind. This Global Phenomena is observed starkly in El Salvador and therefore, this Annex places El Salvador’s challenges within the context of global structural change.

### **HISTORIC CONTRIBUTIONS OF A DYNAMIC AGRICULTURE SECTOR**

Economic development is the transformation of an economy from a predominantly agriculture-based sector to the other, generally more remunerative manufacturing, industry, and service sectors (Mellor 1984 and Pinstup-Andersen 1995). Historically, a dynamic agricultural sector facilitates this “economic structural transformation.” Agriculture has the capacity to generate more jobs and higher incomes more cost effectively than other sectors; its multiple backward and *forward* linkages with other rural and urban sectors generate true multiplier effects (Mellor 1984). In addition, a dynamic agricultural sector generates complementary societal benefits ranging from investment decentralization to local governance and constituency formation. As described below, however, the negative legacy of “import substitution” has impeded agriculture’s potential contributions.

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<sup>1</sup> Defined for the purpose of this activity as the new economic system that has evolved from liberalization of trade, Structural Adjustment, technological and telecommunications advances, and greater interdependence of world labor, product, and financial markets.



## **THE IMPORT SUBSTITUTION LEGACY**

Until the 1990s, import substitution strategies prevailed in most developing countries. Most targeted the development of an urban manufacturing and industrial production base that served limited national market needs, often at the expense of agriculture (Wong and Yip 1999). Sustaining these strategies required overvalued exchange rates, inefficient price controls, protectionist measures, severe taxes, and a variety of subsidies. Government intervention encompassed nearly all aspects of industry, including banking and agricultural services. Private sector investment was frequently marginalized as governments directly influenced capital mobilization and allocation.

Inherent to this model was the introduction of policies and structures that constrained rural investments and resulted in terms of trade detrimental to agriculture, thereby limiting the potential enormous contributions of the agricultural sector (Schuh and Junguito 1993). Governments often imposed a series of inefficient "production-driven," agricultural support programs, many of which were managed by parastatals. These "national" programs promoted a broad range of food crops that usually precluded more remunerative value-added investments, export promotion, and complementary private sector support investments. National and international market efficiency and competitiveness issues were seldom considered during this period, further "decapitalizing" the rural sector (World Bank 1996). Reforms became difficult as the usually urban-based interests that benefited from this thrust became stronger politically. By the 1970s "economic fatigue" was observed throughout the developing country world.

## **"STRUCTURAL ADJUSTMENT" AS THE CORNERSTONE OF GLOBALIZATION**

In response to years of increasingly inefficient and inflexible import substitution models that resulted in unmanageable debts, record high interest rates and unprecedented inflation, the International Monetary Fund began in 1980 to introduce economic structural overhauls, complemented by World Bank Structural Adjustment Loans (SALs). These quick-disbursing SALs focused on stimulating private sector investment and energizing markets. By 1993 SALs totaled \$222 billion. They supported macro policy reform, currency devaluation, public sector reform via market liberalization, and privatization and trade policy reform. Because SALs aimed to promote favorable policies to which market forces would respond rationally across all economic sectors, little complementary, sector-specific lending was provided (World Bank 1996). Further, as governments sought to reduce their deficits, public good-oriented support to the rural sector declined dramatically.

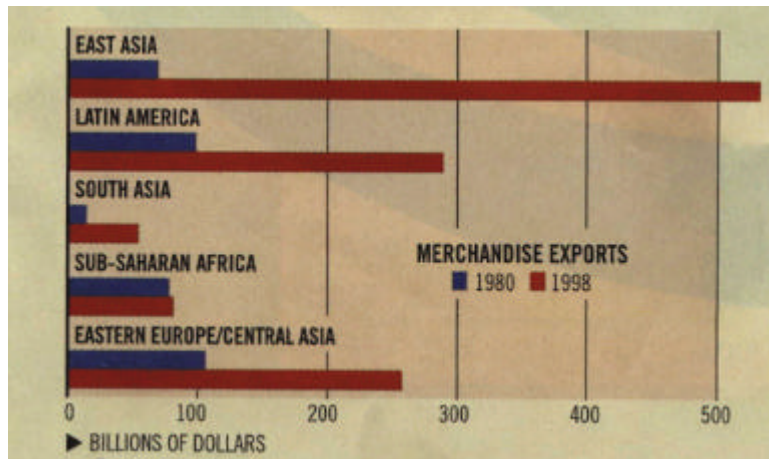
Initial evaluations of macro economic transformation found that in many countries, the economic panorama improved significantly as savings and investment increased, inflation decreased, foreign exchange rates stabilized and fiscal deficits declined. However, while overall poverty declined, income disparities increased in 40 percent of the countries (World Bank 1996). Most recently, the Bank notes that except for Asia, per capita incomes are expected to fall (World Bank 2000).

## **TRADE EXPANSION AND THE WTO CHALLENGES AND OPPORTUNITIES**

The expansion of regional and global trade agreements reinforced macro, market-based reforms introduced by the SALs. By the early 1990s, 16 trade and economic groups had been formed. More than 60 developing countries unilaterally lowered their import tariffs while also gaining access to developed country markets. In effect, many countries were now in a better position to exploit their national comparative advantages around land and related agro-ecological diversity and labor. They were not able to fully realize this potential, however, in part because of the sensitivities of diverse agricultural commodity interests in the developed countries. Finally, in 1994, initial progress was made in addressing politically charged agricultural trade issues at the Uruguay Round, where some reductions were made in tariffs, support measures, and export subsidy reductions.

However, because of higher tariffs and more complex technical barriers in the agricultural sector as compared with other economic sectors, developing countries continue to face the structural impediment of lack of access to product markets, particularly for agricultural products and clothing. This reduced market access constrains developing countries from more optimally identifying and nurturing their comparative advantages, in turn limiting their capacity to buy more commodities, goods and services. The global “playing field” is grossly uneven: Poorer countries are seeking broader access to global markets to promote and protect their interests, but at the same time they lack the subsidies and safety nets enjoyed by their developed country competitors.

These important and complex issues will be addressed more systematically as WTO agriculture negotiations resume this year. USAID, FAO, and other donors have taken some initial steps in helping countries to better understand and perform by the new WTO rules. Few countries, however, have the capacity to apply WTO standards in the context of equipping their farmers and agribusinesses to be "competitive." As negotiations proceed, governments need to prepare strategically for these deliberations, which are vital to their interests. Also needed is assistance in formulating strategies and programs to respond to situations in which major producers suddenly find themselves unable to compete, such as Senegalese rice producers faced with competition from less expensive rice from Thailand. The greater participation of the agriculture sector in the expansion of the global market, as evidenced in growth of world trade (see Figure 1 below), will further broaden the benefits.

**Figure 1: The Growth of World Trade:****One Response to Globalization**

Source: Business Week, November 6, 2000

**THE NEED FOR A BOLD INTERVENTION**

A number of experiences and precedents support the need for a bold intervention to escape the legacy of past decades through focused assistance to the rural sector. An IFPRI-sponsored study (attached) compared countries in terms of progress toward macro economic reform. It found that in countries where the highest degree of market-based reforms had taken place, agriculture had become a leading or the lead economic sector, exports had expanded and, most important, economic growth rates had notably improved (Bathrick 1998).

In the pre-SAL period, Chile and a few East Asian "Tigers" offer examples of the potential contributions of a dynamic agricultural sector at a critical transition period. During the 1970s and 80s these countries introduced highly market-oriented macroeconomic policies, reduced government spending, and encouraged foreign and national private sector investments. On a parallel track, they aggressively built complementary support linkages in their agriculture and related natural resource base. Their investments in technology development, infrastructure, training, and market promotion, among other areas, stimulated higher rates of agricultural, export, and GDP growth as compared with other countries (IFPRI 1998). Broader, more recent comparisons stress the importance of market and trade-driven systems in increasing labor use intensity and generating economic efficiencies for reducing poverty (USAID 1998 and Mellor 1995).

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**ANNEX C**

**NEW ALLIANCE FOR AGRICULTURE**



## NEW ALLIANCE FOR AGRICULTURE







## **ANNEX D**

### **OVERVIEW OF MAJOR USAID RURAL DEVELOPMENT PROJECTS**



## OVERVIEW OF MAJOR USAID RURAL DEVELOPMENT PROJECTS



### Estrategia de Agricultura 97-02 USAID/El Salvador

- Agricultura como contribuyente a dos Objetivos Estratégicos de la Misión:
- - O.E. # 1: Crecimiento Económico.
- - O.E. # 4: Agua y Medio Ambiente.



### Estrategia de Agricultura 97-02 USAID/El Salvador

- **Objetivo Crecimiento Económico**
  - Ampliar/Facilitar el acceso equitativo a servicios tecnológicos y de mercadeo para las familias pobres.
  - A través de generar/incrementar la cobertura de los servicios de instituciones de segundo nivel, ej. Federaciones, ONGs, agroindustrias, etc.
  - Con un enfoque de sostenibilidad financiera, es decir, construir capacidad local.




## Estrategia de Agricultura 97-02 USAID/El Salvador

- Objetivo Agua y Medio Ambiente.
  - Contribuir a mejorar la calidad del agua.
  - A través de la promoción y diseminación de prácticas agrícolas ambientalmente correctas y la diversificación de cultivos.
  - Énfasis en la búsqueda de mercados para los productos, por ejemplo, aquellos con características ambientales tales como los orgánicos.




## Estrategia de Agricultura 97-02 USAID/El Salvador

- Otros aspectos de la estrategia: Promover procesos asociativos en los pequeños productores para lograr economías de escala y poder de negociación.
- Los dos objetivos anteriores, Crecimiento Económico y Agua y Medio Ambiente convergen en el incremento de ingresos y disminución de la pobreza.




## Proyectos que han apoyado la Estrategia:

- CLUSA: Mercadeo y Exportación de Productos no-Tradicionales. Caso Exitoso de PROEXSAL y apoyo a UCRAPROBEX.
- TechnoServe: Proyecto de apoyo a los distritos de riego, especialmente Atiocoyo. Culminó con la creación de FEDARES.
- PROCAFE: Apoyo a las áreas de administración, extensión, capacitación e investigación.



## Proyectos que Apoyan la Estrategia:

- CRECER/Chemonics: Recientemente concluido. Trabajó en el fortalecimiento de 20 organizaciones de segundo nivel y en el área de políticas agrícolas con MAG.
- ROCA/TechnoServe: Actualmente trabajando con 4 instituciones locales:
  - FUNPROCOOP
  - FUNSALPRODESE
  - FUNDACION USULUTAN II
  - FESACORA



## Proyectos que Apoyan la Estrategia:

- CLUSA de El Salvador: Fortalecimiento de dos organizaciones locales: Coordinadora del Bajo Lempa y ADISA en la zona costera de Sonsonate-Ahuachapan.
- EWW: Trabajando con dos cooperativas de pequeños caficultores y una organización de segundo nivel de 10 cooperativas con un beneficio seco para exportación/mercadeo.



## Resultados a Junio 30, 2000

- 58,700 personas han recibido servicios de asistencia técnica/mercadeo u otros.
- 32 organizaciones de segundo nivel han sido fortalecidas y están prestando servicios.
- 7 organizaciones han alcanzado su autosostenibilidad financiera.

**ANNEX E**

**ESSENTIAL ELEMENTS FOR ENHANCING COMPETITIVENESS  
AND SUMMARIZED RESPONSES BY KEY ACTORS**





## ESSENTIAL ELEMENTS FOR ENHANCING COMPETITIVENESS AND SUMMARIZED RESPONSES BY KEY ACTORS

IFPRI'S SUGGESTED COMPONENTS AND DESCRIPTION	MAG PLAN	IDB PROPOSAL	WORLD BANK PROPOSAL
<p>1. <u>Create driving thrust to strategically advance national comparative advantages and competitiveness</u></p> <p>Short- and medium term strategies are needed to take advantage of national, regional, and international market opportunities in light of national endowments and capacities, and to respond to international competitors that may create areas of market vulnerability. The private sector, which includes producer associations, agribusiness, and industrialists, and the public sector will need to interact effectively in order to respond to changing realities in a way that will produce relevant macro and sector policies. Pluralistic approaches with wide participation around local and national opportunities and by key stakeholders will have to be devised. The new international, regional, and national trade codes, standards, and regulations will have to be understood and used to define and defend national interests and strategies. Services that offer market intelligence and assessments concerning agroecological conditions, labor and land productivity, production costs and marketing needs will need to be developed (Blackman, Shui, and Wailes 1992). This kind of market analysis will help guide research and development strategies and projects, technological development, and training programs. Plans for dealing with the large numbers of producers that may be displaced need to be updated; these should include alternative agricultural or rural development strategies and safety-net programs. Such adjustment issues will become increasingly daunting. In addition, trade service capacities will need to be developed to address new phytosanitary, pesticide tolerance, intellectual property rights, and other regulations. These broad-based activities will help promote a more supportive base for agriculture throughout the business, consumer, and political establishment.</p>	<p>The Plan recognizes the need for complementary GOES activities and MAG "Strategic Services" required to facilitate the basic conditions for fair global trade, respective of international business practices. Policy is to promote adequate protection and diversification, and to facilitate the transition toward competitiveness. Much attention is given to tariffs negotiations and to policies to promote diversification based on market demands that have the greatest comparative advantage and competitiveness with the necessary support targeted to this objective.</p>	<p>There is need to provide greater analysis and information. Producers and service providers and investors and policy makers all need greater awareness and the strategic support for responding to new opportunities for a competitive agriculture. This will depend on upgrading MAG capacity in and/or a public private effort to develop greater analysis and strategic responses.</p>	<p>Not addressed</p>

<p><u>2. Establish Appropriate Policy Framework and Mutually Supportive Linkages with Other Sectors to Ensure Maximum Impacts</u></p> <p>Regional and global trade reforms create opportunities for rural economies that have definite comparative advantages. But appropriate macro and sector policies and structures are crucial for strengthening production factors in order to enhance national competitiveness (Anderson 1995). Economic policy issues related to exchange, interest, and tax rates are key here (Schuh and Junguito 1993; Valdés 1993). Also, to ensure maximum efficiency, a country must suitably integrate its commercial, legal, environmental, educational, and public health policy needs and opportunities. In this context agriculture should not be so traditionally sectorialized. Rather, in light of the needs of the food and agroindustrial system, boundaries between agriculture and the industrial and service sectors must become more blurred. Further, given the capital formation requirements, land tenure reforms and markets that enhance land investment and stewardship become essential, high-priority policy topics.</p>	<p>The MAG will assume an aggressive leadership role to advance competitive, remunerative, and sustainable systems. This will do be done in a manner that complements other elements of the GOES. Much attention is given to the tariff structure in a coordinated way with the Ministry of Economy so that the most appropriate strategies are taken into consideration, reflecting national capacities and interests An Intern-ministerial Commission of Agricultural Trade (Comision Interministerial de Comerico Agropecario) has been fore which deals with all dimensions ranging form subsidies to health factors (Minsiteros de Economia MAG, Haciencda, Salud, and Policia Nacional Civil).</p>	<p>Not addressed</p>	<p>The Bank sees the need to expand quickly in a variety of agricultural export diversification activities. They identify constrains regarding limited number of technically qualified personnel and inadequate infrastructure and to address these constraints see the need for the creation of a Commission for the Development of Agriculture Exports to coordinate activities with the GOES, private sector, NGOs.</p>
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<p><u>3. <i>Develop the Necessary Management and Marketing Skills and Support Services</i></u></p> <p>A new human capital base must be prepared for an increasingly competitive world. Dramatically different skills are now needed to respond to (1) promising activities associated with high-value cropping systems; (2) market-oriented crops and more remunerative land use practices; and (3) reductions in production costs for traditional cereal crops. In the absence of such skills, individual producers will be poorly equipped to compete. In addition, postharvest handling, agroprocessing, and skills that address the environment, consumer health, and worker safety will also be required. Advanced farm management, agribusiness management, marketing, and enterprise planning become essential skills for dealing with inherent risks and responding to new consumers, competing prices, changing quality and health standards, and contractual specifications and deadlines (Litzenberg and Parks 1996). While some producers may be able to generate sufficient revenues to pay for such training or to contract for specific agronomic, management, or marketing services, others may be in a position to obtain them through association arrangements. Grower-business arrangements, producer associations, special short courses from local universities, or viable PVOs/NGOs specializing in services need to be encouraged.</p>	<p>Special attention is given to improving agribusiness skills to include information, market identification, forming farmers associations, and training in product and input knowledge. Much of these new skills will be provided through “Assocaidades Productivas” which will be in a capacity to provide improved technical and market knowledge given the efficiency income gains for producers derived from bulk product and input sales and marketing. Given the many smallholdings, special attention will have to be directed to motivate standard production to meet increasingly demanding quality and health standards. Expanded roles are envisioned for CENTA, ENA, and the Universidad de El Salvador. Information services will require special attention and a broad range of diverse activities are listed.</p>	<p>Little attention observed</p>	<p>Little attention observed</p>
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<p><u>4. <i>Develop Dynamic Market Systems and Complementary Infrastructure Services</i></u></p> <p>The era of “produce and then sell” has ended. Knowledge of consumer needs and product promotion has become paramount for linking local capacities with national, regional, and international needs. Market information services and intelligence systems to keep abreast of promising products will be increasingly important under the new approach. Rapid improvements in farm-to-market roads, regional packing points, rail and port facilities, and refrigeration facilities, and access to modern telecommunication and accurate and timely product and price information are essential (Carney 1997). The private and public sector should also improve management of information about sanitary and phytosanitary measures and related international standards and guidelines.</p>	<p>The Plan deals with marketing policies to ensure greater market “transparency” so that more direct and efficient market transactions can take place, thereby reducing the margins going to some non-essential third parties others. Great importance is placed on improving market efficiencies. BOLPES will perform important roles and broader service in storage and information regarding market and post harvest technologies is mentioned. There is to be an effort to promote agreements between producer and industries for improved service chains to improve market efficiencies via more direct access. Exports are to be promoted in conjunction with the subsidy negotiations completed or underway under bilateral and WTO agreements. There are severe rural infrastructure constraints that will impede Plan's effectiveness. MAG will coordinate the Ministry de Obras Publicas for rural roads so that appropriate prioritization can be provided and specific rehabilitation targets are met. They also express the need to expand irrigation, water retention, information infrastructure, and facilities.</p>	<p>An extensive review was provided of the many needs and numerous specific recommendations. Regarding the thematic areas reviewed, the key areas lacking necessary attention relate to road maintenance and rural energy services. In the latter category this relates to alternative to fuel wood and alternative energy strategies.</p>	<p>The Bank places particular attention toward improving the rural road networks. They quote a FUSADES report, the average distance of agricultural units to a paved road was 5.8 km. Few all weather farm to market roads exist. Little attention is given to rural road maintenance.</p>
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<p><b><u>5. ESTABLISH COMPREHENSIVE RURAL FINANCIAL MARKETS</u></b></p> <p>Given the growing concentration of national and foreign investment capital and banking services in the major urban centers, new mechanisms are needed to stimulate rural investment. The prevailing economic environment creates opportunities for innovative ways to mobilize local savings and support local credit and banking services. Since most investments will continue to be from citizen savings, the relevant experiences of private-sector rural financial services responsive to local needs in Colombia, Indonesia, the Philippines, and Thailand need further examination. To take advantage of newly attractive investment opportunities in agriculture, mechanisms that build on privately managed services responsive to local needs need to be given the highest priority.</p>	<p>The small levels of rural credit is concentrated in two export promotion lines-coffee and sugar. A range of structural matters are summarized that help explain the situation and the need to reverse trends via the creation of viable rural financial markets. There is a need for broader financial services for farm and non-farm micro and medium enterprises so that productivity and competitiveness objectives can be reached. The financial impediments are to be improved via the strengthening of the Banco de Fomento Agropecuario, evaluation of new mechanisms for rural finance, review credit terms as they relate to term requirements, the creation of special producers funds and by establishing productive strategic alliances between the banks and technical assistance purveyors.</p>	<p>Salvadorean banks and financial institutions are distinguished as the most efficient in Central America. They see opportunities in the rural sector and recommend assistance in three targeted areas; 1) strengthen the legal and regulator framework, 2) improve and expand supervision of non-bank providers, and 3) provide direct assistance programs to actively promote new modes and increased services. Many specific recommendations are provided.</p>	<p>In 1995 less than 12 percent of the rural households received a loan. The Bank preferred areas of focus concentrated in three specific areas: 1) governance, supervision, and regulation of the main rural financial intermediaries (BFA, FEDECREDITO, FEDECACES); 2) financial sector competitiveness and supervision, and 3) technological transfer and modernization of rural financial services provision.</p>
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<p>6. <u>Create Market-Driven Technologies for Achieving Growth</u></p> <p>Access to knowledge about production and processing technologies relevant to local conditions and changing market opportunities is critical (Economist 1996b). Compounding the challenge is that, as a result of the changing fiscal environment, institutional capacities have eroded, donor support to the international agricultural research centers has stagnated, and private-sector linkages and investment opportunities have not been institutionalized. That a more market-driven environment requires technologies that promote environmental sustainability, productivity enhancement, economic efficiency, and risk reduction further complicates the issue. Recently, in a limited number of countries (Honduras, Bolivia, and Ecuador), some alternative public/private institutional approaches have been conceptualized to provide services more responsive to these needs. Much more needs to be done, however, in order to provide appropriate technologies to meet changing market opportunities. A large number of traditional cereal producers, for example, will confront special needs. Therefore, a variety of interrelated topical areas are expected to become priority themes: (1) adoption of productivity-increasing technologies to help cereal producers lower per-unit production costs in order to become competitive, (2) adoption of technologies to improve nutrition and enhance the sustainability of the natural resource base, and (3) adoption of technologies to help reallocate land and labor toward higher-valued, more market-oriented crops that hold greater potential for increasing incomes. Other priorities relate to germplasm and cultural practices for traditional and nontraditional export crops, postharvest processing and handling, and food safety requirements. Given the advances in low-cost communication and information systems, countries can cost effectively link with appropriate international agricultural research centers and other elements of the global research system, including developed-country private-sector firms and universities. These institutions increasingly desire technical competitiveness at the global level and thus seek participation in low-cost, mutually beneficial research and outreach services and networks (NCFAP 1997).</p>	<p>The provision of varieties and genetic materials needed to transform the productivity levels, becomes a vital action area, via more interaction with the producer. Technology innovation can be better obtained via much closer coordination between the public and private sector around specific actions, technology needs, and product requirements. Emphasis is placed on much closer links between market needs and producer realities. In this context, a new technology and innovation plan more directly linked with market requirements will be introduced. A new Sistema Nacional de Inovacion Tecnologia will be organized to coordinate the activities based on supply and demand requirements as expressed by producer associations, universities, CENTA, ENA, CONACYT, ONGs, MAG, PROCAFE and the trade associations. A competitive grants program will be created and in addition, training and facility investment activities will be launched.</p>	<p>Not addressed</p>	<p>Their review laid you a broad range of strategic points to consider that range from points regarding research definition needs, future strategy considerations, human capital development, research – education nexus, farmers participation, and extension service reform.</p>
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<p><u>7) Utilize Natural Resources Management Practices to Enhance Sustainable Use.</u></p> <p>Forest management and conservation needs are receiving greater international attention because of their linkages with global biodiversity, air quality, and soil and water quality. The new economic environment, which will promote land-improving investment and farming systems based on more rational resource allocation, could provide new opportunities for introducing more sustainable natural resource management practices (Scherr and Yadav 1997; USAID 1994). Increased attention to land tenure and land security also helps facilitate resource stewardship and land and water investments. International satellite monitoring provides reliable mechanisms for assessing conservation and changing land-use patterns, and for developing and monitoring appropriate policies. When a more favorable policy environment provides appropriate incentives, these practices have introduced significant improvements in forest management, as observed in Costa Rica. Land-and water-use taxes can facilitate more efficient resource use, enhance productivity, and create value-added opportunities for generating greater income (Rosegrant, Guzman, and Yadav 1995). In addition, increased support to train NGOs and user organizations for forest landowners can result in cost-effective ways to (1) educate local residents about economic and ecological benefits, (2) improve local land and forest management skills, and (3) facilitate local control of forest resources and establishment of law enforcement services.</p>	<p>The Plan defines in general terms the institutional complementarities between MAG and the Ministerio de Medio Ambiente y Recursos Naturales (MARN). The strategic priority areas highlighted relate to the sustainable management of the natural resources in watersheds, the need to reduce vulnerability associated with mitigating practices now so that you reduce the impacts of weather related disasters tomorrow, and 3) to develop a sustainable forest sector strategy plan.</p>	<p>Great importance is directed toward strengthening natural resources protection. This is to be done in a series of measures related to: 1) directing attention to undertake legal, institutional and policy harmonization; 2) sorting out the various institutional mandates, 3) strengthening institutional capacities and out sourcing between the MAG and the MARN, 4) adopt new economic and financial instruments for conservation, 5) decentralization of resource management and promote community empowerment.</p>	<p>Land degradation is considered to be the most important natural resource management problem in El Salvador. To confront this problem, they recommend a series of targeted policies to be identified, data collection activities to document the extent of the problem, and decentralized site-specific interventions.</p>
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<p><u>8) Develop Alternative Strategies to Expand Rural Well-Being</u></p> <p>Instead of attempting to provide comprehensive social and economic services as before, alternative approaches should focus on maximizing economically productive opportunities in targeted, intermediate-level rural towns. The new policy environment reverses the negative terms of trade toward the rural sector, stimulating demand for local products and creating a more favorable environment for local, national, and foreign investors. Targeted and coordinated activities by producers and investors would result in enterprises that generated farm and nonfarm employment. This would expand local market opportunities and create sustainable economic growth (Bendavid-Val 1989; USAID 1994). Private-and public-sector investments can be facilitated by targeted incentives and activities that support selected infrastructure, education, and training programs, and basic health services. Education and health needs are particularly critical and have been a major factor in the traditional low productivity levels associated with rural residents (Schuh and Junguito 1993). In addition, given the dramatic adjustments anticipated, particularly for the large numbers of traditional cereal producers, broader safety-net programs will have to be contemplated in case the above approaches do not live up to expectations. Only recently have the World Bank and the International Monetary Fund begun to emphasize safety-net programs as an essential element in SAL programs (Bezuneh and Deaton 1997).</p>	<p>The Plan takes on a broad GOES effort to affect a frontal attack on the conditions that cause and perpetuate rural poverty. The MAG is to develop a series of actions to improve the conditions of the people in the rural areas that promote jobs and incomes. They place specific attention in the Corredor Norte area using funds from the IDB, FIDA and FAO. The principal strategies relate to government concentration, the integration and coordination of forces from the GOES related to infrastructure, and health and education. The also include collaboration with business NGOs, producer organizations, and mayors.</p>	<p>A broad range of specific activities is recommended. They include; the promotion of and assembly, light manufacturing or cottage industries, the underwriting of select R&amp;D partnerships, and the concentration of public goods to undergird tourism development. In addition, a series of social related activities related to water, education, nutrition and health receive a series of specific recommendations.</p>	<p>Non -farm rural employment appears over the medium and longer term to be an important option for those who have little capacity to diversify and also for landless laborers. Off farm employment can e expanded as regional economies are diversified to include agro processing, services and manufacturing. In addition, a series of education, health and basic needs social services are highlighted as important complementary services.</p>
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<p><u>A closing observation regarding land titling:</u> While the referenced IFPRI did not directly address this point in their paper; it is an issue that cannot be ignored, in that context, the following comments are made.</p>	<p>The Plan speaks to the indispensable need for developing legal and secure land and property arrangements. This is basic in order to guarantee legal security regarding land so that it can be most efficiently and rationally engaged. The activities to be implemented relate to: 1) the institutional adjustments to help ensure that over the medium terms ISTA completes its actions and closes operations; 2) a review o the legal framework to make more agile the legal procedures; 3) the presentation of theCodigo Agrario, and 4) to help improve efficiencies they look to greater coordination with PROSEGUIR del Viceministerio de Vivienda y Desarrollo Urbano.</p>	<p>Limited attention observed</p>	<p>Their report presents five recommendations to move forward this important policy agendas: 1) move forward with dispatch the land transfer program; 2) streamline the agrarian reform institutions; 3) clean up the back log of adjudicated agrarian cooperatives; 4) develop a program to reduce land tenure insecurity; and 5) remove restrictions to free land markets.</p>
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**ANNEX F**

**A SCHEMATIC CONTRASTING OF THE RURAL  
DEVELOPMENT “BOXES”**



## A SCHEMATIC CONTRASTING OF THE RURAL DEVELOPMENT "BOXES"

OLD BOX	← COMMON TOPICS →	NEW BOX
Produce cheap food and raise producer's subsistence levels	<b>1. Broad program motivations</b>	Raise incomes, create jobs, while conserving environment
"Get the prices right"	<b>2. Policy agenda</b>	Sweeping macro and trade reforms and uncertain "second generation" needs
Public sector and donors	<b>3. Driving institutional forces.</b>	Private sector and governments facilitating
National food "self sufficiency" and producer's yield enhancement	<b>4. Success indicators</b>	Expanding market shares and being cost competitive .while "growing" the national economy
Few and subsidized and planned	<b>5. International competition</b>	Numerous and expanding, turbulent uncertainties
"Productores"	<b>6. Project end beneficiaries</b>	"Empresarios del campo"
"Asistencialista," and creating dependencies	<b>7. The benefactors perception of the "project"</b>	Creating competitive and sustainable services
Usually donor	<b>8. Project Sponsors</b>	Government, donor, producer, and private sector
Slash and burn/land expansive systems	<b>9. Natural resource management practices</b>	Responsible land resource husbandry/land intensification
Usually centrally planned to expand cereal production	<b>10. Integrated rural development strategies</b>	Dynamic market driven thrusts to maximize productive assets sustainably